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**Planned Parenthood  
of Louisiana and the Mississippi Delta, Inc.**

Financial Statements and  
Independent Auditors' Report  
for the year ended June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-12-06

# Blazek & Vetterling LLP

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Board of Directors of

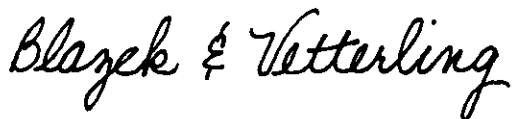
Planned Parenthood of Louisiana and the Mississippi Delta, Inc.:

We have audited the accompanying statement of financial position of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood) as of June 30, 2005 and the related statements of activities, of cash flows, and of functional expenses for the year then ended. These financial statements are the responsibility of the management of Planned Parenthood. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood as of June 30, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2006 on our consideration of Planned Parenthood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



February 13, 2006

## Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Financial Position as of June 30, 2005

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### ASSETS

Cash and cash equivalents	\$ 305,264
Accounts receivable, net of allowance for uncollectible accounts of \$24,280	57,480
Prepaid expenses	6,930
Pledges receivable (Note 2)	460,000
Property, net (Note 3)	<u>147,353</u>
TOTAL ASSETS	<u>\$ 977,027</u>

### LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 39,916
Accrued salaries and benefits	22,574
Payable to affiliate (Note 4)	114,000
Loans payable	<u>12,497</u>
Total liabilities	<u>188,987</u>
Net assets:	
Unrestricted	182,685
Temporarily restricted (Note 5)	<u>605,355</u>
Total net assets	<u>788,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 977,027</u>

See accompanying notes to financial statements.

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## Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Statement of Activities for the year ended June 30, 2005

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	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Patient fees	\$ 570,975		\$ 570,975
Government contracts	<u>370,597</u>		<u>370,597</u>
Net patient services	941,572		941,572
Contributions	248,323	\$ 266,705	515,028
Interest income	2,002		2,002
Other income	<u>4,219</u>		<u>4,219</u>
Total revenue	1,196,116	266,705	1,462,821
Net assets released from restrictions:			
Program expenditures	<u>240,630</u>	<u>(240,630)</u>	
Total	<u>1,436,746</u>	<u>26,075</u>	<u>1,462,821</u>
EXPENSES:			
Program services:			
Patient services	1,026,056		1,026,056
Community services	<u>82,235</u>		<u>82,235</u>
Total program services	1,108,291		1,108,291
Management and general	281,184		281,184
Fundraising	138,679		138,679
National organization dues	<u>14,410</u>		<u>14,410</u>
Total expenses	<u>1,542,564</u>		<u>1,542,564</u>
CHANGES IN NET ASSETS	(105,818)	26,075	(79,743)
Net assets, beginning of year	<u>288,503</u>	<u>579,280</u>	<u>867,783</u>
Net assets, end of year	<u>\$ 182,685</u>	<u>\$ 605,355</u>	<u>\$ 788,040</u>

*See accompanying notes to financial statements.*

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## Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

### Statement of Cash Flows for the year ended June 30, 2005

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#### CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (79,743)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	17,369
Changes in operating assets and liabilities:	
Accounts receivable	15,412
Inventory	13,826
Prepaid expenses	(3,413)
Pledges receivable	57,192
Accounts payable	(2,347)
Accrued salaries and benefits	(40,861)
Payable to affiliate	<u>114,000</u>
Net cash provided by operating activities	<u>91,435</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property	<u>(8,606)</u>
Net cash used by investing activities	<u>(8,606)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

Loan repayments	<u>(24,715)</u>
Net cash used by financing activities	<u>(24,715)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	58,114
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Cash and cash equivalents, beginning of year	<u>247,150</u>
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Cash and cash equivalents, end of year	<u>\$ 305,264</u>
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See accompanying notes to financial statements.

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## Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

### Statement of Functional Expenses for the year ended June 30, 2005

<u>EXPENSES</u>	<u>PATIENT SERVICES</u>	<u>COMMUNITY SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries	\$ 476,708	\$ 38,134	\$ 114,311	\$ 44,756	\$ 673,909
Professional fees	98,426	11,434	59,158	58,831	227,849
Employee benefits	79,938	7,724	27,216	6,610	121,488
Occupancy	70,944	4,810	28,011	4,811	108,576
Bad debt expense	54,095				54,095
Medical supplies	42,307				42,307
Insurance	29,325	695	3,284	642	33,946
Computer expense	20,661	3,749	5,771	1,476	31,657
Laboratory fees	31,355				31,355
Travel	15,393	4,157	3,845	5,404	28,799
Telecommunications	13,821	2,773	3,519	2,270	22,383
Maintenance and repairs	13,389	1,017	2,925	1,187	18,518
Printing and publications	10,044	467	420	7,536	18,467
Depreciation	10,769	1,563	4,169	868	17,369
Postage and delivery	7,657	4,863	1,858	2,430	16,808
Advertising			16,565		16,565
Clinic supplies	15,488				15,488
Office supplies	10,060	560	3,406	608	14,634
Office expenses	7,995	272	2,729	634	11,630
Bank fees	8,964	17	2,096	388	11,465
Medical fees	7,617				7,617
Other	1,100		1,901	228	3,229
Total	<u>\$ 1,026,056</u>	<u>\$ 82,235</u>	<u>\$ 281,184</u>	<u>\$ 138,679</u>	1,528,154
National organization dues					<u>14,410</u>
Total expenses					<u>\$ 1,542,564</u>

*See accompanying notes to financial statements.*

## **Planned Parenthood of Louisiana and the Mississippi Delta, Inc.**

Notes to Financial Statements for the year ended June 30, 2005

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### **NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization – Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood), founded in 1983, is a Louisiana nonprofit corporation that provides comprehensive and complementary reproductive and sexual health care services to men and women in the New Orleans, Baton Rouge, and the Mississippi Delta areas. Planned Parenthood is an affiliate of Planned Parenthood Federation of America, Inc. (PPFA) and operates in accordance with its Standards of Affiliation. Planned Parenthood's mission is to provide confidential, comprehensive, reproductive, and complementary health services for the women and men of Louisiana in accordance with their own personal beliefs; to provide education that enhances personal and social understanding of human sexuality as an integral part of human life; to advocate for public policies, which guarantee reproductive rights, essential privacy, and the health and well-being of individuals, and ensure the ability to exercise these rights and access to such services.

Tax status – Planned Parenthood is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2). It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Cash and cash equivalents include bank deposits and liquid financial instruments with original maturities of less than three months. At times, bank deposits exceed the federally insured limit of \$100,000 per depositor per institution. Cash equivalents include money market funds totaling \$173,500 at June 30, 2005.

Allowance for uncollectible accounts – An allowance for accounts receivable is provided when it is believed accounts may not be collected in full. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using historical loss experience and specific account identification.

Pledges receivable due within one year are recorded at net realizable value. Pledges receivable expected to be collected in future years are recorded at the present value of the expected future cash flows.

Property is stated at cost or, in the case of contributed property, at the estimated fair value as of the date of the gift. Expenditures which materially increase values or extend useful lives are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 20 years.

Net patient service revenue – Planned Parenthood has agreements with third-party payors that provide for payments at rates different from Planned Parenthood's established rates. Payment arrangements include cost reimbursement and discounted charges. Net patient service revenue is reported at the established net realizable amounts due from patients, third-party payors, and others.

Charity care – Planned Parenthood provides care without charge or at reduced rates to patients who meet certain criteria under its charity care policy. Planned Parenthood does not pursue collection of amounts determined to qualify as charity care, and such amounts are not reported as revenue. Charity care provided during 2005 was approximately \$13,400.

Government contracts are recognized as revenue when the related services are provided. In accordance with the terms of certain government contracts, the records of Planned Parenthood are subject to audit for varying periods after the date of final payment of the contracts. Planned Parenthood is liable for any disallowed costs; however, management believes that the amount of costs disallowed, if any, would not be material to the financial statements.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are included in revenue when the conditions are substantially met.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## **NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2005 are expected to be collected as follows:

2006	\$ 210,000
2007-2009	<u>250,000</u>
Total pledges receivable	<u>\$ 460,000</u>

## **NOTE 3 – PROPERTY**

The major components of property are as follows:

Furniture, fixtures, and equipment	\$ 206,974
Leasehold improvements	<u>170,889</u>
Total property, at cost	377,863
Accumulated depreciation	<u>(230,510)</u>
Property, net	<u>\$ 147,353</u>



#### **NOTE 4 – AGREEMENT WITH AFFILIATE**

During 2005, Planned Parenthood entered into a management agreement with Planned Parenthood of Houston and Southeast Texas, Inc. to manage its operations. Planned Parenthood recorded \$114,000 in management fees and travel expenses under the terms of this agreement; these amounts were unpaid as of June 30, 2005.

#### **NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

General operations in future periods	\$ 516,973
Property and equipment acquisitions	<u>88,382</u>
Total temporarily restricted net assets	<u>\$ 605,355</u>

#### **NOTE 6 – EMPLOYEE BENEFIT PLANS**

Planned Parenthood participates in the PPFA defined contribution retirement plan. Employees may contribute to the plan on the first day of any month following their first day of employment. Employer matching contributions for employees begin on the first month after an employee is 19 years old and has completed one year of service and 1,000 hours. Planned Parenthood makes a matching contribution of fifty percent of the first six percent of each participant's contribution to the plan. Planned Parenthood contributions to the plan totaled \$14,104 during 2005.

#### **NOTE 7 – LEASE COMMITMENTS**

Planned Parenthood leases office space and certain equipment under noncancelable operating leases. Rent expense was \$86,081 in 2005. Future minimum lease payments are as follows:

2006	\$ 60,381
2007	21,591
2008	<u>16,500</u>
Total	<u>\$ 98,472</u>

#### **NOTE 8 – CONTINGENCIES**

Planned Parenthood purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted arising from services provided. Management does not expect such claims to have a material adverse effect on Planned Parenthood's financial position.

# Blazek & Vetterling LLP

CERTIFIED PUBLIC ACCOUNTANTS

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees of  
Planned Parenthood of Louisiana and the Mississippi Delta, Inc.:

We have audited the financial statements of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. (Planned Parenthood) for the year ended June 30, 2005 and have issued our report thereon dated February 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered Planned Parenthood’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Planned Parenthood’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item #05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether Planned Parenthood’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Blazek & Vetterling*

February 13, 2006

## Planned Parenthood of Louisiana and the Mississippi Delta, Inc.

Schedule of Findings and Responses for the year ended June 30, 2005

### Section I – Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued: ☒ *unqualified* ☐ *qualified* ☐ *adverse* ☐ *disclaimer*

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

#### *Federal Awards*

Planned Parenthood of Louisiana and the Mississippi Delta, Inc. did not expend in excess of \$500,000 in federal expenditures during the year ended June 30, 2005 and therefore, is exempt from the audit requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

### Section II – Financial Statement Findings

#### Finding #05-1

*Reportable condition:* During 2005 Planned Parenthood experienced significant financial difficulties and significant turnover in staff and management during the year. For the fiscal year ending June 30, 2005 we noted the following reportable conditions:

- Cash and other balance sheet accounts were not reconciled on a timely basis, resulting in weaknesses in internal control and financial reporting.
- Cash receipts and disbursements were not consistently recorded in the general ledger, resulting in inaccurate financial reporting.
- Key duties related to cash receipts and disbursements were not appropriately segregated, resulting in weaknesses in internal controls.
- There was an absence of appropriate reviews and approval of transactions, accounting records, and financial reports, resulting in weaknesses in internal controls.

*Criteria:* The management of Planned Parenthood is responsible for establishing and maintaining effective internal control over financial reporting.

*Effect:* Failure to adequately establish and maintain effective internal control over financial reporting adversely affects Planned Parenthood's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:* Develop procedures to establish segregation of duties and maintain adequate internal controls over financial reporting.

*Management response:* As a result of the financial difficulties and management turnover described in the Reportable Condition noted above, during February 2005, the board of directors of Planned Parenthood of Louisiana and the Mississippi Delta, Inc. entered into a management agreement with Planned Parenthood of Houston and Southeast Texas, Inc. (Planned Parenthood Houston) to manage its operations. Upon execution of the management agreement it was discovered that several staff positions within the accounting department had turned over multiple times within the previous six months. Management believes that the reportable conditions noted above were a direct result of the significant turnover in accounting staff during the year. In connection with the management agreement, all accounting activities and responsibilities have been transferred to Planned Parenthood Houston and the following procedures have been put into place to re-establish effective internal control over financial reporting.

- Cash and all other balance sheet accounts are reconciled on a monthly basis in connection with the monthly financial closing process. Each month, cash and investment accounts are reconciled to bank statements; accounts receivable, accounts payable and property accounts are reconciled to accounting sub-ledgers, and all other balance sheet account activity is reviewed for reasonableness.
- The chart of accounts has been reviewed with all accounting staff to ensure consistent recording in the general ledger. Account coding is reviewed for accuracy by accounting staff responsible for accounts payable and by the accounting manager. Monthly financial statements are reviewed for reasonableness by the accounting manager and by management. All unusual balances and month-to-month variances are explained and documented to ensure accurate and consistent financial reporting.
- Key duties relating to cash receipts and cash disbursements have been segregated between accounting staff and the accounting manager. Check signing has been further segregated to include only senior management.
- Procedures have been put into place to ensure all payments and transactions are adequately approved by the applicable department managers and by senior management and the chair of the board of directors when transactions exceed a specified threshold. Accounting records are reviewed monthly in connection with the financial closing process and financial statements are distributed monthly to department managers and senior management. Financial information is also reviewed with the board of directors in connection with scheduled board meetings.

Management fully understands the importance of maintaining effective internal controls over financial reporting and is committed to ensuring ongoing compliance with the internal controls outlined above.